

Governance & Health Aid from the Global Fund: Effects Beyond Fighting Disease

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The Global Fund to Fight AIDS, TB & Malaria

The Global Fund has been widely lauded as among the most effective international aid programs

- US\$4 billion a year
- 100 countries
- HIV treatment for 17.5 million people
- TB treatment for 5 million
- 197 million bed nets to prevent malaria
- Millions of lives have been saved

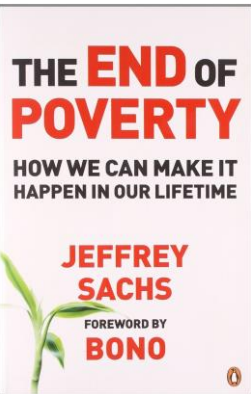
... but health services are only part of what's needed.

Governance:

Where institutions of power and politics ensure wide participation, transparency, robust accountability, effective capacity to regulate, checks on corruption, and a strong legal system, governments and societies are better able to coordinate action to improve well-being.

Aid & Governance Debate

The political economy of foreign aid



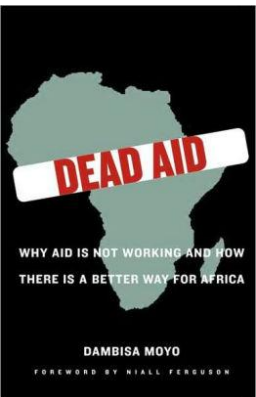
Aid optimists:

- ensuring sufficient resources in a country → increasing economic growth
- mitigating poverty and improving provision of public goods

Skeptics:

- aid → dependency while undermining development
- aid that achieves goals like expanding access to services but undermines institutions could be a development net negative.
- Funding public goods through aid, rather than from citizens and taxation, can undermine political accountability, democracy, economic regulation, and institutional controls under law.

“We do want to be able to hold our governments accountable but we can’t do that if, actually, Oxfam is going to solve the healthcare problem” Dambisa Moyo



Governance: how governments are selected, monitored, and replaced; capacity to formulate and implement policies; and respect of citizens and the state for core rights and rules.

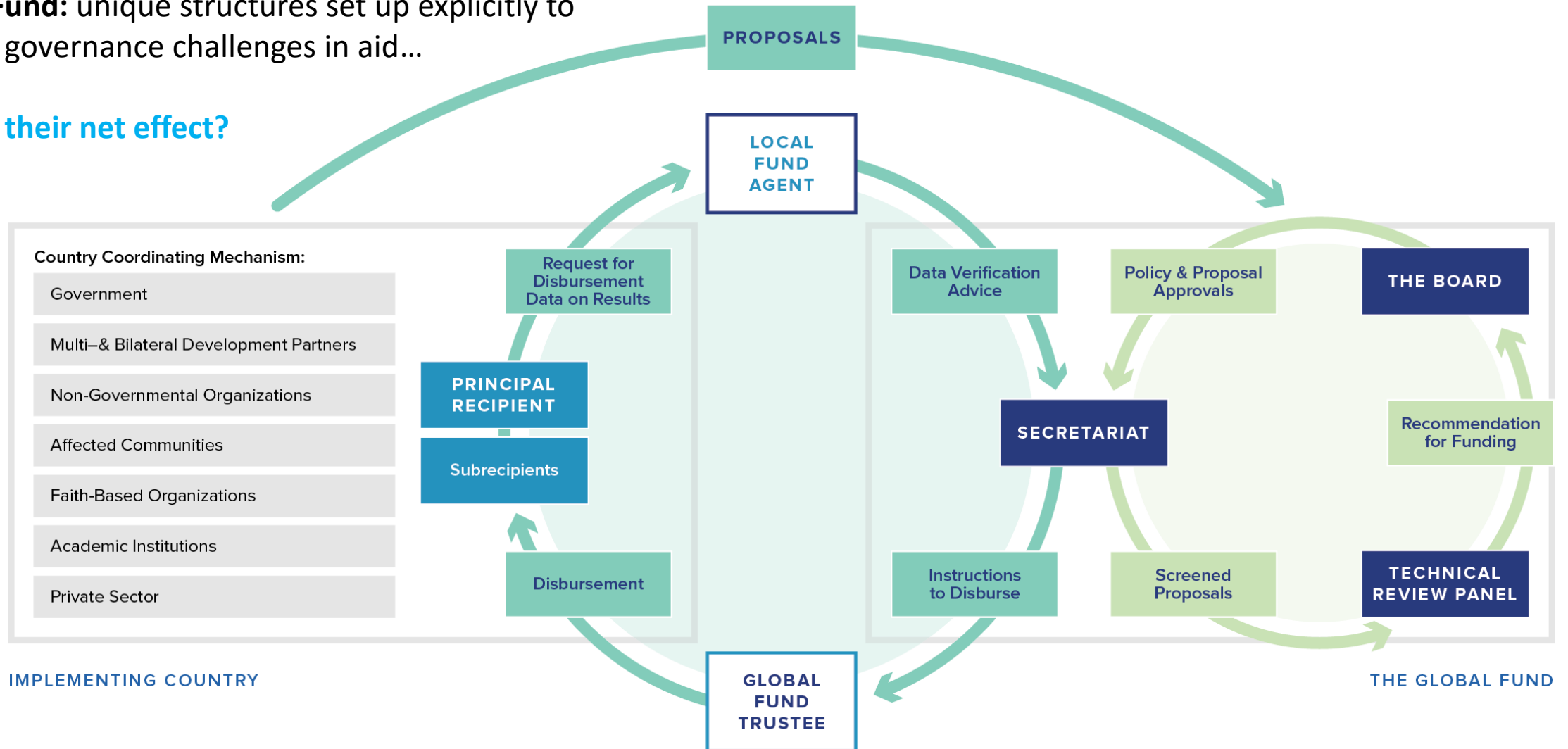
Empirics:

- net-negative effect of aid on governance
- studies using different models: positive effect
- corruption
 - Okada and Samreth: aid decreases corruption
 - Asongu et al: aid increases corruption

**But not all aid is the same...
Health aid is distinct.**

Global Fund: unique structures set up explicitly to address governance challenges in aid...

What is their net effect?



Does health aid from the global fund have a positive, negative, or negligible effect?

Governance (Source: Worldwide Governance Indicators, 2018)

Voice and accountability	The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
Government effectiveness	The quality of public services, the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
Regulatory quality	The ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
Rule of law	The extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
Control of corruption	The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Development & Health

The Human Development Index (HDI)	Summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. <i>Source: UNDP, 2018</i>
Adult Mortality Rate (per 1,000)	The probability of dying between the ages of 15 and 60—that is, the probability of a 15-year-old dying before reaching age 60, if subject to age-specific mortality rates of the specified year between those ages. <i>Source: World Bank, 2018</i>

$$\begin{aligned}
 y_{it} = & \beta_{0t} + \beta_1 \text{Global Fund financing}_{i,t-1} \\
 & + \beta_2 \text{national income}_{i,t-1} \\
 & + \beta_3 \text{political stability/violence}_{i,t-1} \\
 & + \beta_4 \text{other aid}_{i,t-1} \\
 & + \beta_5 \text{baseline corruption}_i + t + \alpha + \mu_{it} + \varepsilon_{it}
 \end{aligned}$$

EFFECT OF GLOBAL FUND SPENDING ON GOVERNANCE & DEVELOPMENT

	CONTROL OF CORRUPTION	REGULATORY QUALITY	VOICE & ACCOUNTABILITY	GOV'T EFFECTIVENESS	RULE OF LAW	HUMAN DEVELOPMENT INDEX	TOTAL ADULT MORTALITY
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Statistical Models

Blue ● = Significant & Beneficial Effect (e.g. better governance, lower mortality)

<p>Model 1: GF Spending, total Effect of Global Fund spending controlling for national income, political stability and violence, and time</p>	●	●	●		●	●	●
<p>Model 2: Controlling for Other Aid All controls from model 1 & controlling for other aid</p>	●	●	●		●	●	●
<p>Model 3: GF Spending, per capita simple No controls</p>	●	●	●	●	●	●	●
<p>Model 4: GF Spending, per capita + Aid All controls from model 1 using per capita global fund spending & controlling for other aid</p>	●	●			●	●	●
<p>Model 5: Full model Controlling for Baseline Corruption All controls from model 1 using per capita global fund spending & controlling for other aid</p>	●	●	●		●	●	●

Observations 1,368
of Countries 112

Summary

Our data do not support critiques of “dead” aid. Instead our findings are consistent with the proposition that the Global Fund architecture is supporting ambitions to address the urgent and continuing crises of AIDS, TB, and malaria while improving institutions, fighting corruption, and supporting development.